

Value chain analysis example using primary activities

[Business](#)



We can't shove businesses into customers' faces and expect bucket loads of sales anymore.

Now, business is about the feedback. Communication. And adding genuine value to a customer's life.

By using the value chain analysis, you leverage customer desires and give the value they need. Doing this builds trust and by proxy, sales.

We'll look at a value chain analysis example to see how value works and why it works.

But first, we've got to go into the basics.

What is value chain analysis?

And better yet — why should you care?

Value chain analysis looks at what benefits (value) a company's products and services offer. Then you analyze how to use this value to reduce costs. Or leverage the value to stand out from their competition.

Say you've got great margins — it costs you \$5 to build your product but you retail it for \$25.99. You can offer lower shipping costs than your competitor whose margins are less than boastful.

This is a competitive advantage and value your customers appreciate.

A valuable chain of importance

Mr. Michael Porter created a graph for value chain analysis. The primary activities are broken into these parts...

- Inbound logistics: Suppliers are vital. Because they're necessary for receiving, storing, and distributing products. Without the supplier, you're limited in the product development stage.
- Operations: When you take products and offer them to the public, this is where operations come into play. The systems you use can be invaluable.
- Outbound logistics: When you provide the product to your customer. The systems at play focus on distribution, storage, and collection of your services.
- Sales/marketing: Goes without saying but how you get customers to say, " Yes!" to your product is important. Here, you'll highlight product benefits and persuade these customers to keep their wallets away from the competition. Benefits are the value.
- Service: Do you have good customer service or rancid customer service? The value you offer pre and post-sale to the customer decides whether they become a repeat customer. Or not.

The more value you can create and use, the higher your success with said product will be. But again, it's all about leveraging. So, let's get to the value chain analysis example — finally!

Starbucks: The world renowned coffee mogul

We know Starbucks. The whole world knows Starbucks. And for good reason. Using the above chain of operations, let's see how Starbucks uses the five primary principles to expand worldwide.

1. Inbound logistics — premium coffee beans...

Starbucks uses high-quality coffee beans for its drinks. They don't outsource the retrieval of these beans from Latin America, Asia, and Africa isn't outsourced. Starbucks handles the buying, transportation, and storage of beans. This is how they keep full control on the quality of their beans.

Why this matters: Customers want the best. And to know where the beans are coming from. Starbucks maintaining control of their coffee beans — compared to a randomly named corporation — leaves a lasting impression in coffee drinkers' minds.

2. Operations — outbound stores across the globe...

Starbucks is everywhere. They own several other beverage shops (Teavana and Seattle's Best Coffee, for example) which generate sales. Starbucks coffee shops are in over 21, 000 stores worldwide. The main stores still make the most revenue while the licensed shops bring in less than 10% of their revenue.

Why this matters: Starbucks offers services around the world, ensuring they build a strong consumer base and keep their name well-known. Customers order this premium service while Starbucks sees massive sales each year. A value win-win for everyone.

3. Outbound logistics — Barely selling in retails...

Truthfully, Starbucks doesn't sell their products outside their licensed shops. This is where they're lacking. If you want their coffee beans or packaged goods, you'll must go to their shops and pick them up. While they are planning to sell single-origin coffees, it's a small move by Starbucks.

Why this matters: If Starbucks products were in retail, customers could pick up their favorite drink or mug while finishing up errands. Making it easier for Starbucks to expand into the home. But they've dropped the ball here. You can use value chain analysis to see disadvantages too and, with the right research, flip it into an advantage.

4. Sales/marketing — the quality is loud...

The high-quality products speak for themselves.

Starbucks relies heavily on quality rather than aggressive marketing tactics. Social proof, like customers recommending drinks — even the joke articles about Starbucks “ secret menu” — are marketing methods Starbucks doesn't pay for. The customers take care of it.

Why this matters: Starbucks uses its reputation to their advantage. This reputation is built on premium quality beans and service. Because of this, customers recommend drinks, post selfies online, and write blog posts about the coffee stores. Customers see the value and promote Starbucks themselves.

5. Service — building relationships...

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Most of Starbucks sales ventures goes towards exceptional customer service in each of their stores.

Writing names on glasses isn't just a way for customers to know when to pick up their drink. It's a method to learn about a customer — temporarily, sure — and build up a relationship between barista and customer.

Why this matters: Customers want to be important. They want to be recognized by the companies they buy into. And Starbucks creates a comfy, familiar, and acknowledged environment for their customers. This builds loyalty, credibility, and trust. This is the Starbucks Experience. Combined with their unique drinks, Starbucks makes customer retention look easy.

Now...

You've seen how a hugely successful company like Starbucks uses value chain analysis correctly. You can use it to your advantage as well. Outline how your firm uses each step and create a plan to implement positive changes.

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